

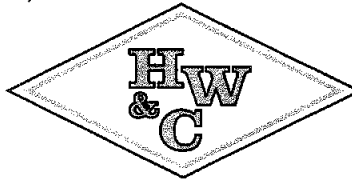
**Nineteenth Judicial District Court
Building Commission
Baton Rouge, Louisiana
June 30, 2014**

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Independent Auditor's Report

To the Commissioners
Nineteenth Judicial District Court Building Commission
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major funds of the Nineteenth Judicial District Court Building Commission (A Component Unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Nineteenth Judicial District Court Building Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major funds of the Nineteenth Judicial District Court Building Commission as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

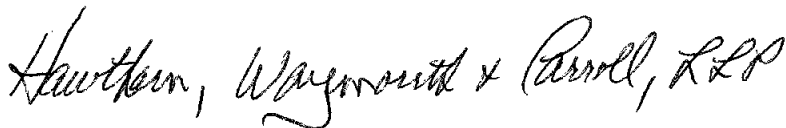
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015, on our consideration of Nineteenth Judicial District Court Building Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nineteenth Judicial District Court Building Commission's internal control over financial reporting and compliance.



January 22, 2015

**Nineteenth Judicial District Court Building Commission
Management's Discussion and Analysis
June 30, 2014**

Our discussion and analysis of the Nineteenth Judicial District Court Building Commission ("the Commission") provides an overview of the Commission's activities for the years ended June 30, 2014 and 2013. Please read it in conjunction with the Commission's financial statements that begin on page 8.

Financial Highlights

Filing and recording fee revenue totaled approximately \$6.2 million and \$6.6 million for the years ended June 30, 2014 and 2013, respectively.

For 2014, bond holder interest and principal payments were approximately \$5 million and \$1.5 million, respectively. The 2015 interest and principal payments will remain relatively unchanged from 2014.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 - 9, provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund Financial Statements on pages 10 - 13, tell how governmental activities were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's governmental funds.

Reporting on the Commission as a Whole

Our analysis of the Commission as a whole begins on page 8. The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and the change in net position, which is a way to measure the Commission's financial health. Over time, increases or decreases in the Commission's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors to be considered are the number of cases handled by District Court, as well as the number of judgeships approved by the State Legislature, the real estate market and its related recordation fees with the Clerk's Office and the State's economic condition, to better assess the overall health of the Commission.

Currently, the Commission has only governmental activities that provide for equipment, furnishings, office space and debt service related to the proper administration of the Nineteenth Judicial District Court Building Commission, which are primarily civil filing fees and recordation fees that are used to finance these activities.

Nineteenth Judicial District Court Building Commission
Management's Discussion and Analysis
June 30, 2014

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the Commission had approximately \$95.8 million invested in capital assets, including the courthouse building, computer equipment, office equipment, furniture and fixtures, and kitchen equipment. The following table presents capital assets, net of accumulated depreciation, at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 94,758,164	\$ 98,277,745
Office equipment	199,172	299,213
Computer equipment and software	567,100	1,338,609
Furniture and fixtures	253,032	442,805
Kitchen equipment	<u>39,687</u>	<u>60,394</u>
Total capital assets, net	<u><u>\$ 95,817,155</u></u>	<u><u>\$100,418,766</u></u>

Debt Administration

The Commission had \$91,800,000 in outstanding bond principal due to its debt holders at June 30, 2014.

Economic Factors and Next Year's Budgets and Rates

The Commission anticipates a stabilized revenue collection of approximately \$6.2 million for the year ended June 30, 2015.

Request for Information

Questions regarding this report or the need for additional financial information, please contact the Director of Finance at the Nineteenth Judicial District Court, 300 North Boulevard, Suite 3606, Baton Rouge, Louisiana.

Basic Financial Statements

Nineteenth Judicial District Court Building Commission
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,928,764
Receivable from other governments	370,221
Accrued interest receivable	22,549
Prepaid expenses	62,246
Restricted assets	
Cash and cash equivalents	11,729,050
Capital assets	
Depreciable, net	<u>95,817,155</u>
Total assets	<u>111,929,985</u>
Liabilities	
Accounts payable	16,930
Interest payable to bondholders	411,113
Noncurrent liabilities	
Due within one year	1,697,595
Due in more than one year	<u>92,325,590</u>
Total liabilities	<u>94,451,228</u>
Net Position	
Net investment in capital assets	4,017,155
Restricted	<u>13,461,602</u>
Total net position	<u>\$ 17,478,757</u>

The accompanying notes are an integral part of these financial statements.

Nineteenth Judicial District Court Building Commission
Statement of Activities
Year Ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Revenue (Expense)</u>
Functions and Programs				
Judicial court services	\$ 4,827,735	\$ 6,207,656	\$ —	\$ 1,379,921
Interest and fiscal charges on long-term debt	<u>5,003,946</u>	<u>—</u>	<u>—</u>	<u>(5,003,946)</u>
Total primary government	<u>\$ 9,831,681</u>	<u>\$ 6,207,656</u>	<u>\$ —</u>	<u>(3,624,025)</u>
General Revenues				
Interest				181,024
Bond premium amortization				82,595
Rent				<u>10,515</u>
Total general revenues				<u>274,134</u>
Change in net position				(3,349,891)
Net Position				
Beginning of year, as restated				<u>20,828,648</u>
End of year				<u>\$ 17,478,757</u>

The accompanying notes are an integral part of these financial statements.

Nineteenth Judicial District Court Building Commission
Balance Sheet
Governmental Funds
June 30, 2014

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 3,928,764	\$ —	\$ 3,928,764
Receivable from other governments	—	370,221	370,221
Accrued interest receivable	—	22,549	22,549
Restricted assets			
Cash and cash equivalents	<u>5,015</u>	<u>11,724,035</u>	<u>11,729,050</u>
Total assets	<u>3,933,779</u>	<u>12,116,805</u>	<u>16,050,584</u>
Liabilities			
Accounts payable	<u>16,930</u>	<u>—</u>	<u>16,930</u>
Total liabilities	<u>16,930</u>	<u>—</u>	<u>16,930</u>
Fund Balances			
Restricted fund balance	5,015	12,116,805	12,121,820
Assigned fund balance	1,115,658	—	1,115,658
Unassigned fund balance	<u>2,796,176</u>	<u>—</u>	<u>2,796,176</u>
Total fund balances	<u>\$ 3,916,849</u>	<u>\$ 12,116,805</u>	<u>\$ 16,033,654</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission
Reconciliation of the Governmental Funds' Balance
Sheet to the Statement of Net Position
June 30, 2014**

Total governmental fund balance		\$ 16,033,654
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Depreciable capital assets	\$112,643,806	
Less: accumulated depreciation	<u>16,826,651</u>	95,817,155
Some expenditures reported in the funds benefit a future period and are not reported as governmental activities of the current period.		
Prepaid expenses		62,246
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded in the governmental funds.		
Interest payable to bondholders	(411,113)	
Bonds payable	(91,800,000)	
Net deferred amount of premium	<u>(2,223,185)</u>	<u>(94,434,298)</u>
Net position of governmental activities		<u>\$ 17,478,757</u>

The accompanying notes are an integral part of these financial statements.

Nineteenth Judicial District Court Building Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2014

	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Charges for services			
Civil court filing fees	\$ —	\$ 4,211,486	\$ 4,211,486
Recording fees	—	1,996,170	1,996,170
Rental income	10,515	—	10,515
Investment earnings	4,008	177,016	181,024
Miscellaneous	—	—	—
	<u>14,523</u>	<u>6,384,672</u>	<u>6,399,195</u>
Total revenues			
	<u>14,523</u>	<u>6,384,672</u>	<u>6,399,195</u>
Expenditures			
Building expenses	212,961	—	212,961
Capital outlay	20,404	—	20,404
Bondholder interest	—	5,010,362	5,010,362
Bond principal repayment	—	1,540,000	1,540,000
	<u>233,365</u>	<u>6,550,362</u>	<u>6,783,727</u>
Total expenditures			
	<u>233,365</u>	<u>6,550,362</u>	<u>6,783,727</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(218,842)	(165,690)	(384,532)
Fund Balance			
Beginning of year	<u>4,135,691</u>	<u>12,282,495</u>	<u>16,418,186</u>
End of year	<u>\$ 3,916,849</u>	<u>\$ 12,116,805</u>	<u>\$ 16,033,654</u>

The accompanying notes are an integral part of these financial statements.

**Nineteenth Judicial District Court Building Commission
Reconciliation of the Governmental Funds' Statement
of Revenues, Expenditures and Changes in Fund
Balances to the Statement of Activities
Year Ended June 30, 2014**

Net change in fund balance - total governmental funds	\$ (384,532)
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets is allocated
over their estimated useful lives as depreciation expense.

Capital outlay	\$ 20,404	
Depreciation expense	<u>(4,622,015)</u>	(4,601,611)

The issuance of long-term debt provides current financial resources
to governmental funds, while the repayment of the principal of long-
term debt consumes the current financial resources of government
funds. neither transaction, however, has any effect on net Position.
Also, governmental funds report the effect of issuance costs, premiums,
discounts, and similar items when debt is issued, whereas these
amounts are deferred and amortized in the Statement of Activities.

Premium on debt issuance	82,595	
Principal payments	<u>1,540,000</u>	1,622,595

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds.

Accrued interest payable	6,417
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Expenses reported in the Statement of Activities in the current period
are reported as expenditures of governmental funds in future periods.

Prepaid expenses	<u>7,240</u>	<u>7,240</u>
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Change in net position of governmental activities	<u><u>\$(3,349,891)</u></u>
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The accompanying notes are an integral part of these financial statements.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 1-Summary of Significant Accounting Policies

A. Nature of Operations

The Nineteenth Judicial District Court Building Commission (Commission) complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent sections of this note.

B. Financial Reporting Entity

The Commission was created pursuant to Section 992.1 of Title 13 of the Louisiana Revised Statutes of 2004. The Commission was created solely for the purpose of constructing and funding a new courthouse for use by the Nineteenth Judicial District Court (Court) and such other ancillary agencies as may be necessary. The judges of the Court, en banc, serve as the board of commissioners (Commission Board). The Commission Board elects a chairman and vice chairman, and the judicial administrator for the Court serves as secretary-treasurer of the Commission.

As the governing authority of the consolidated government, the City of Baton Rouge, Parish of East Baton Rouge (City-Parish) is the financial reporting entity for the consolidated government. The financial reporting entity consists of the primary government (City-Parish), and includes all component units of which the City-Parish appoints a voting majority of the unit's board. The City-Parish is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

The Commission has entered into a cooperative endeavor agreement with the City-Parish, the terms of which are more fully described in Note 5. The agreement grants certain rights to, and imposes certain obligations upon, the respective parties and because of their significance, the Commission was determined to be a component unit of the City of Baton Rouge, Parish of East Baton Rouge, the financial reporting entity. The accompanying financial statements present information only on the Commission and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

C. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues and fees.

Fund Financial Statements

The financial transactions of the Commission are reported in two individual funds that are each accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The Commission uses the governmental fund type. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The funds of the Commission are described as follows:

Capital Project Fund - The capital project fund accounts for the financial resources to be used for the construction, maintenance and funding of the courthouse for the Nineteenth Judicial District Court.

Debt Service Fund - The debt service fund accounts for the resources accumulated and payments made for principal and interest on the Louisiana Public Facilities Authority Revenue Bonds Series 2007 for the Nineteenth Judicial District Court Building Project.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied:

Measurement Focus - The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. All governmental funds utilize a current financial resources measurement focus in the fund financial statements. Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

Basis of Accounting - The government-wide financial statements are presented using the accrual basis accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when "measurable and available." Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

E. Restricted Cash

Certain resources set aside for the revenue bond are classified as restricted cash on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "courthouse construction receipts fund" was utilized for the collection of additional costs of court and service charges which were imposed to finance the construction of the courthouse. The "debt service reserve fund" is required to be maintained in an amount necessary to pay the annual principal and interest on the bonds.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end, which had not been received by year-end. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. There were no accounts considered to be uncollectible at June 30, 2014. Major receivable balances for governmental activities include amounts due from the Clerk of Court.

Receivables are included in the fund financial statements if they are both measurable and available. Revenues are recorded when earned only if collected within 60 days since they would be considered measurable and available.

G. Revenues

Substantially all government fund revenues are accrued. Revenues include civil filing and recording fees imposed to finance the construction of the courthouse, as well as investment earnings.

H. Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Depreciation on all assets is computed on the straight-line basis over the following estimated useful lives.

Buildings and improvements	30 - 34 Years
Office equipment	5 Years
Computer equipment and software	5 Years
Furniture and fixtures	5 Years
Kitchen equipment	5 Years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the fund upon acquisition.

I. Expenditures

Expenditures are recognized when the related fund liability is incurred.

J. Interfund Transfers

Permanent allocations of resources between funds of the reporting entity are classified as interfund transfers.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 1-Summary of Significant Accounting Policies (Continued)

K. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first to finance its activities.

Designated portions of fund balances indicate tentative future spending plans, which may be changed, and are subject to subsequent authorization before expenditures can be made.

M. Fund Balances

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- *Restricted fund balance* - amounts constricted to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation;
- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* - amounts intended by a government to be used for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 2-Cash and Cash Equivalents

At June 30, 2014, the Commission had cash (book balances) as follows:

Interest bearing demand deposits	\$ 3,928,764
Money market accounts	1,729,050
Certificates of deposit	<u>10,000,000</u>
	<u>\$15,657,814</u>

These amounts are reflected in the following line descriptions on the statement of net position:

Cash and cash equivalents	<u>\$ 3,928,764</u>
Restricted assets, cash and cash equivalents	<u>\$11,729,050</u>

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Commission be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Commission's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Commission's name as of June 30, 2014.

Account balances according to bank's records at June 30, 2014:

Cash in banks	<u>\$ 13,933,555</u>
Insured by FDIC	<u>\$ 500,000</u>
Collateralization by fair market value of securities held by the pledging institution	<u>\$ 13,433,555</u>
Uncollateralized	<u>\$ —</u>

Note 3-Receivables From Other Governments

Intergovernmental receivables due at June 30, 2014, are as follows:

Debt Service Fund	
East Baton Rouge Clerk of Court	<u>\$ 370,221</u>

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 4-Capital Assets

Capital asset activity for the year ended June 30, 2014, is as follows:

	<u>Balance</u> <u>06/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2014</u>
Capital assets				
Buildings & improvements	\$107,628,256	\$ —	\$ —	\$ 107,628,256
Office equipment	500,205	—	—	500,205
Computer equipment & software	3,442,542	20,404	—	3,462,946
Furniture and fixtures	948,868	—	—	948,868
Kitchen equipment	<u>103,531</u>	<u>—</u>	<u>—</u>	<u>103,531</u>
Totals at historical cost	<u>112,623,402</u>	<u>20,404</u>	<u>—</u>	<u>112,643,806</u>
Less accumulated depreciation				
Buildings & improvements	9,350,511	3,519,581	—	12,870,092
Office equipment	200,992	100,041	—	301,033
Computer equipment & software	2,103,933	791,913	—	2,895,846
Furniture and fixtures	506,063	189,773	—	695,836
Kitchen equipment	<u>43,137</u>	<u>20,707</u>	<u>—</u>	<u>63,844</u>
Total accumulated depreciation	<u>12,204,636</u>	<u>4,622,015</u>	<u>—</u>	<u>16,826,651</u>
Capital assets, net	<u>\$100,418,766</u>	<u>\$ (4,601,611)</u>	<u>\$ —</u>	<u>\$ 95,817,155</u>

Note 5-Long-Term Debt

Summary of Changes in Long-Term Debt

Following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Balance</u> <u>06/30/2013</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance</u> <u>06/30/2014</u>	<u>Due Within One Year</u>
Bonds payable	\$ 93,340,000	\$ —	\$ 1,540,000	\$ 91,800,000	\$ 1,615,000
Deferred premiums on bonds	<u>2,305,780</u>	<u>—</u>	<u>82,595</u>	<u>2,223,185</u>	<u>82,595</u>
Total long-term debt	<u>\$ 95,645,780</u>	<u>\$ —</u>	<u>\$ 1,622,595</u>	<u>\$ 94,023,185</u>	<u>\$ 1,697,595</u>

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 5-Long-Term Debt (Continued)

Bonds Payable

Under an Indenture of Trust dated June 1, 2007, the Louisiana Public Facilities Authority (Authority) issued \$100,000,000 in bonds to finance the planning, design, construction, furnishing and equipping of courthouse facilities (Facility) for the Nineteenth Judicial District Court.

The proceeds of the bonds were provided to the Commission under the terms of the Financing and Lease Agreement with Option to Purchase dated as of June 1, 2007, (Agreement), by and between the Authority and the Commission. The City-Parish leased to the Commission a portion of its land located in downtown Baton Rouge, Louisiana (Land), pursuant to a Ground Lease Agreement dated as of June 1, 2007, (Ground Lease), on which the Facility was constructed Pursuant to the Sublease Agreement dated as of June 1, 2007, (Sublease), the Commission leased the Land to the Authority and, pursuant to the Agreement, the Authority caused the Commission to construct on the Land the Facility, which is owned by the Authority and leased to the Commission.

Pursuant to the Cooperative Endeavor Agreement dated as of December 1, 2005, and effective as of February 1, 2006, as amended by and between the Commission, the City-Parish and the Authority, the City-Parish leased the Land to the Commission. The Cooperative Endeavor Agreement will terminate upon payment in full by the Authority of all principal of, interest on, and premium, if any, on the Bonds and any costs and fees related to the Bonds.

The Series 2007 Louisiana Public Facilities Authority Revenue Bonds (Nineteenth Judicial District Court Building Project) dated June 1, 2007, were issued on June 27, 2007, in the amount of \$100,000,000. The bonds are payable over 34 years and bear interest from 4.50% to 5.50% as shown in the following schedule.

<u>Year Ending</u> <u>June 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
Serial Bonds:		
2015	\$ 1,615,000	5.000%
2016	1,695,000	5.000%
2017	1,780,000	5.000%
2018	1,870,000	5.375%
2019	1,970,000	5.375%
2020	2,080,000	5.375%
2021	2,190,000	4.500%
2028	3,130,000	4.750%
Term Bonds:		
2027	15,710,000	5.375%
2032	14,220,000	5.375%
2041	45,540,000	5.500%

Under the indenture, the Commission is required to maintain certain reserves for the routine payment of interest and principal and for certain other contingencies outlined in the agreement. Additional information regarding the reserves is detailed below. The Commission is in compliance with all terms of the bond agreement including the maintenance of required reserves at June 30, 2014.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 5-Long-Term Debt (Continued)

Bonds Payable (Continued)

Serial bonds maturing June 1, 2018, and thereafter totaling \$11,240,000 are subject to optional redemption in whole on any date or in part on any interest payment date at a redemption price equal to 100% of the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2027, totaling \$15,710,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2022, and continuing through June 1, 2027 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2032, totaling \$14,220,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2029, and continuing through June 1, 2032 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The term bonds maturing June 1, 2041, totaling \$45,540,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2033, and continuing through June 1, 2041 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The following is a summary of long-term debt at June 30, 2014, and interest requirements to maturity:

	<u>Principal Payable</u>	<u>Interest to Maturity</u>	<u>Total</u>
Series 2007 Louisiana Public Facility Authority Revenue Bonds	<u>\$91,800,000</u>	<u>\$ 85,046,073</u>	<u>\$176,846,073</u>

The annual requirements to amortize outstanding debt principal and interest as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 6,548,363
2016	6,547,613
2017	6,547,863
2018	6,548,863
2019 - 2023	32,752,614
2024 - 2028	32,746,938
2029 - 2033	32,749,569
2034 - 2038	32,750,350
2039 - 2041	<u>19,653,900</u>
	<u>\$176,846,073</u>

The bond indenture requires the following funds be used to account for the receipt and disbursement of monies collected and expended:

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 5-Long-Term Debt (Continued)

Bonds Payable (Continued)

Debt Service Fund

The trustee will make deposits into the applicable account of the Debt Service Fund at the times and in the amounts required by the indenture as follows:

- a. Amounts on deposit in the interest account of the Debt Service Fund will be used solely to pay the interest on the bonds as it becomes due and payable, whether on an interest payment date, at maturity or upon acceleration. Amounts on deposit in the capitalized interest account of the debt service fund will be used solely to pay the interest on the bonds.
- b. Amounts on deposit in the principal account of the Debt Service Fund will be used solely to pay the principal of the bonds as it becomes due and payable, whether at maturity or upon acceleration in respect of principal of the bonds; and, if directed by the Commission, to effect the redemption of the bonds prior to their maturity in accordance with the redemption provisions of the indenture or with bond insurer consent the purchase of bonds prior to their maturity in the open market at a price not in excess of the principal amount thereof, premium, if any plus accrued interest on the bonds.
- c. Whenever and to the extent that amounts on deposit in the interest account or the principal account are insufficient to pay interest and principal, whether at maturity, by acceleration or in satisfaction of the mandatory sinking fund redemption requirements, the trustee shall transfer money from the debt service reserve fund and from the project fund, if necessary, and will notify the bond insurer immediately.

Debt Service Reserve Fund

Amounts on deposit in the debt service reserve fund will be maintained in a sum equal to the debt service reserve fund requirement, at least one half of which will be in cash or cash equivalents, and will be transferred to the interest account or the principal account of the debt service fund in such amount as is necessary to remedy any deficiency with respect to the bonds. Earnings on the cash or cash equivalents in the debt service reserve fund will be transferred to the fiscal agent in accordance with the provision of the indenture for deposit in the insurance account of the courthouse construction receipts fund. Whenever the amount in the debt service reserve fund, together with the amount in the debt service fund, is sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the debt service reserve fund shall be transferred to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms. When the balance of the debt service reserve fund is greater than the debt service reserve fund requirement, all amounts in excess of the debt service reserve fund requirement will be transferred to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms.

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 5-Long-Term Debt (Continued)

Bonds Payable (Continued)

Revenue Fund

Pursuant to the fiscal agency agreement, the fiscal agent of the Commission will maintain the courthouse construction receipts fund, to receive revenues for payment of rent. The Clerk of Court will receive the revenues daily and segregate such amounts in a special fund for such purpose. At least as often as every two weeks, the Clerk will transfer the revenues to the fiscal agent for immediate deposit into the courthouse revenue fund. As directed by the indenture, all revenues in the Revenue Fund in excess of that required to fund fully the payment of rent, replenish the Debt Service Reserve Fund, pay when due administrative expenses and other amounts due under the agreement, will be transferred to the fiscal agent for deposit into the insurance account.

Note 6-Capital Project Fund Project-to-Date

Revenues, expenditures and other financing sources and uses from the beginning of the project through June 30, 2014, are as follows:

Revenues

Charges for services	
Civil court filing fees and recording fees	\$ 36,232,579
Rental income	32,565
Inter-governmental transfers	6,343,418
Investment earnings	<u>9,522,855</u>
Total revenues	<u>52,131,417</u>

Expenditures

Capital outlay	115,562,471
Debt issuance costs	<u>329,850</u>
Total expenditures	<u>115,892,321</u>

Other Financing Sources (Uses)

Series 2007 LPFA Revenue Bonds issued	100,000,000
Premium on issuance of bonds	2,808,233
Transfers out	<u>(35,130,480)</u>
Total other financing sources	<u>67,677,753</u>

**Excess of Revenues and Other Sources
Over Expenditures and Other Uses**

\$ 3,916,849

Nineteenth Judicial District Court Building Commission
Notes to Financial Statements
June 30, 2014

Note 8-Concentrations of Credit Risk

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish.

Note 9-Accounting Changes and Accounting Standards

In fiscal year 2014, the Commission implemented Governmental Accounting Standards Board (GASB) Statement 65 "Items Previously Reported as Assets and Liabilities." The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were re-classed as expense of prior periods and resulted in the adjustment below:

Net position at June 30, 2013	\$ 21,099,481
Implementation of GASB Statement 65	<u>(270,833)</u>
Net position at June 30, 2013, restated	<u>\$ 20,828,648</u>

Note 10-Subsequent Events

Subsequent events were evaluated through January 22, 2015, which is the date the financial statements were available to be issued. As a result, the Commission noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Commissioners of the
Nineteenth Judicial District Court Building Commission
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major funds of the Nineteenth Judicial District Court Building Commission (A Component Unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nineteenth Judicial District Court Building Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nineteenth Judicial District Court Building Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nineteenth Judicial District Court Building Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hawthorn, Weymouth & Arnold, LLP".

January 22, 2015

**Nineteenth Judicial District Court Building Commission
Schedule of Current Year Findings and Responses
Year Ended June 30, 2014**

Section II - Financial Statement Audit Findings

Noncompliance with State Laws and Regulations

2014-001 Filing of Report with Louisiana Legislative Auditor

Condition:

Financial statements were not timely filed with the Louisiana Legislative Auditor.

Criteria:

LSA-RS 24:513 (5)(a) requires the engagement to be completed within six months of the close of the entity's fiscal year.

Cause:

The Commission was not ready for the audit in a timely manner.

Effect:

The Commission's financial statements were not timely filed.

Auditor's Recommendation:

To comply with state laws and regulations, client should close its books sooner so the audit process can be completed prior to the deadline, or an extension should be filed with the Louisiana Legislative Auditor before December 31.

Management's Corrective Action Plan:

Nineteenth Judicial District Court Building Commission will take appropriate action to ensure timely filing of the financial statements with the Louisiana Legislative Auditor.

**Nineteenth Judicial District Court Building Commission
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2014**

Findings - Financial Statement Audit

None.